

**MEASURING SUSTAINABLE DEVELOPMENT**

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**APPLICATION OF THE GENUINE PROGRESS INDEX TO NOVA SCOTIA**

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INCOME DISTRIBUTION  
*in*  
NOVA SCOTIA

EXECUTIVE SUMMARY

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## EXECUTIVE SUMMARY

Economic growth statistics are the most widely used measure of wellbeing and progress. When the Gross Domestic Product (GDP) is growing, we are assumed to be “better off” as a society. But the GDP only reports the *total* income generated by all economic activity. It tells us nothing about how income is shared. The GDP can grow even while most people are getting poorer, while inequality grows, and while profits flow out of the region and country.

This report shows that only the incomes of the wealthy have been positively correlated with economic growth in the last decade. Although it has often been asserted that “growth is a tide that lifts all boats,” most Nova Scotians’ real income has fallen and inequality has increased even as the economy has grown, a clear indicator that GDP is an inadequate measure of societal wellbeing.

The Genuine Progress Index (GPI), by contrast, does measure income distribution as one of its 22 core social, economic and environmental components. Increases in poverty and inequality are seen in the GPI as a loss in “social capital.” Because they are often highly correlated with illness, crime, poor educational attainment and low productivity, poverty and inequality can also be costly to the economy and society. By contrast, greater equity and livelihood security have been associated with improved economic performance and social stability.

*(All figures in this report are in real 1998\$ after adjustment for inflation)*

### **1. Regional Income Gap Grows**

The income gap between the richest provinces (Ontario and Alberta) and the rest of the country grew in the 1990s. In 1990, Nova Scotians had 82 cents for every \$1 of disposable income in Ontario. In 1998 they had 73 cents. The average Nova Scotian disposable household income dropped \$3,000 in the 1990s (down 8%), while Ontarians saw a \$1,800 increase (up 4%) and Albertans a \$2,100 increase (up 5%).

However, it is the gains of the richest 20% of Ontarians and Albertans that have raised “average” incomes in those provinces. Poor and middle income Ontarians actually lost real income in the 1990s, while the richest 20% gained an average of \$9,400 per household (up 11%). In Alberta, the incomes of the poorest 20% fell, middle incomes stagnated, and the richest 20% gained an average of \$9,800 (up 12%). Alberta now has the widest income gap between rich and poor in the country, and Ontario ranks as the most unequal province using the GINI measure of inequality.

### **2. Poor and Middle Income Nova Scotians Lose Most – NS Poor are Poorest in Canada**

Since 1990, middle income Nova Scotians have lost the most income in absolute terms (average \$3,600) and the poorest 20% have lost the most in percentage terms (29% of their

disposable income). The poorest 20% of Nova Scotian households are the poorest in the country, with an average disposable income (just \$8,205) 12% lower than that of the poorest 20% in Newfoundland and 20% lower than that of the poorest households in PEI and New Brunswick.

The poorest 40% of Nova Scotian households have lost more income in *both* absolute *and* percentage terms since 1990 than the bottom 40% in any other province, and the bottom 60% of Nova Scotian households have an average income lower than that in any other province in Canada.

### **3. NS Income Gap Grows - Rich Increase their Share of Pie**

Inequality has grown sharply. In 1990 the richest 20% of Nova Scotian households had an average disposable income 6.2 times greater than the poorest 20%. By 1998, the income of the rich was 8.5 times greater. This is the second widest income gap between rich and poor in the country after Alberta. The richest 20% of Nova Scotian households have 42% of the total annual disposable income in the province up from 39.2% in 1990. The poorest 20% have just 4.9% of the income, down from 6.4% in 1990. The richest 20% of Nova Scotian households average \$70,000 a year in disposable income (*after* taxes), compared to \$8,205 for the poorest 20%. The richest 20% of Ontarians average nearly \$100,000 in disposable income.

### **4. Inequality Grows Across Canada**

These are national trends. In the 1990s, the poorest 20% of households saw their income share fall in every province except Saskatchewan, and the next 40% saw their income share fall in every single province. In fact, middle income households in every province have less disposable income now than they did 20 years ago, while the richest 20% of households have increased their income share in every province. The income gap has grown across the country.

Prince Edward Island is a notable exception to the national trends. PEI is the most equitable province in the country with the smallest income gaps between rich and poor and between men and women, as well as the lowest poverty rates in Canada for both sexes, and the lowest rate of child poverty. It is also the only province in which the poorest households average higher incomes today than they did in 1980 and 1990.

### **5. Market Income Drops Most Sharply – Down 50% for Poor**

The decline in disposable income in Nova Scotia is due primarily to a drop in market income (wages, salaries and income from self-employment and investment.) The poorest 20% of Nova Scotian households have seen their market income fall by more than 50% in real terms since 1990, the sharpest drop in the country. As a percentage of disposable income, market income for the poor is now just 31%, the lowest level ever recorded. Middle income Nova

Scotian households have seen their market income drop by 20% (or \$6,000) since 1990, also the sharpest drop in the country.

## **6. Middle and Higher Income Nova Scotians Get More Cash Transfers than Poor**

Government cash transfers (including EI, CPP, Old Age Security, social assistance, and child tax benefits) to middle income groups have increased by 73% since 1990, while transfer payments to the poorest households have fallen by 15%. Middle income Nova Scotian households actually receive an average of 45% more in government cash transfers than the poorest 20% of Nova Scotians. Even the second wealthiest 20% of Nova Scotian households receive an average of 8.5% more in transfers than the poorest 20%. Further investigation into the demographic and policy factors behind these changes is required.

## **7. Has An Increasingly Open and Unregulated Market Improved Wellbeing?**

It is generally asserted that free trade and other elements of an increasingly open and unregulated market improve the wellbeing of Canadians. However, income analysis does not support this assertion. In the 1980s, before the Canada-US Free Trade Agreement and the North American Free Trade Agreement, market income and disposable income increased for Canadians and Nova Scotians in all income groups. The income gap between rich and poor also narrowed, and equality grew. In every province, including Nova Scotia, the poorest 20% of households increased their share of income in the 1980s.

Since the free trade agreements, incomes for poor and middle income households have fallen sharply in real terms, and inequality has grown. 80% of Nova Scotian households are worse off since free trade, with declines in both market income and disposable income. Only the wealthiest 20% have done better since free trade.

Income is affected by many factors, and these simple correlations do not prove that free trade *caused* incomes to fall and inequality to increase. However, the income statistics provide no evidence that free trade *has* improved the economic wellbeing of the vast majority of Canadians and Nova Scotians, as is generally asserted, and they indicate that the reverse may be true. The negative income and equality trends of the last decade demand further investigation into the impacts of an increasingly open and unregulated market on economic wellbeing.

## **8. The Gender Gap: More Women Live in Poverty**

Despite relative educational parity, Nova Scotian women earn only 80% of the hourly wages of men. Even with identical education, field of study, employment status, work experience, job tenure, age, job duties, industry and occupation, female hourly wages are still 11% lower than equivalent male wages. Full-year full-time working women in Nova Scotia earn 70% of

male wages, with 21% of these women earning less than \$15,000 a year (\$8 per hour or less) and 38% earning less than \$20,000 a year (\$10 per hour or less).

One in six Nova Scotian women lives below Statistics Canada's low-income cut-off, a low income rate that is 50% higher than that for men (by far the widest low-income gender gap in the country) and 26% above the national average for women. The female poverty rate in Nova Scotia is the highest in Atlantic Canada and the second highest in the country after Quebec. Single mothers and unattached elderly women have the highest poverty rates, with 70% of Nova Scotian single mothers living below the low-income cut-off.

Nearly half the province's 40,000 poor children live in single parent families, and a child living with a single mother is nearly four times as likely to be poor as a child living with both parents. Overall, nearly one in five Nova Scotian children under 18 live in poverty, the fourth highest rate in the country after Newfoundland, Quebec and Manitoba, and an improvement over 1997 when Nova Scotia had the highest rate of child poverty in the country.

## **9. Poverty and Inequality Adversely Affect Health and Health Care**

Poverty and income inequality are among the most reliable predictors of poor health. Low-income earners have poorer physical and mental health and higher rates of hospitalization and health service usage. Concerted public policy has dramatically lowered poverty rates among seniors. Similarly, improving social supports for single mothers, who have particularly high rates of poverty, is one of the most cost-effective strategic investments governments can make to reduce long-term health care costs.

Growing economic disparities may lead to a growing disparity in the quality of health care available to rich and poor Canadians in two different ways. With nearly 30% of Canada's health care spending now in the private sector and growing, low income Canadians are less able to afford certain health care costs. Secondly, only the rich provinces may be able to afford high quality *public* health care as federal transfers fail to compensate adequately for growing regional disparities. Recruiters from Alberta are now offering Nova Scotia health care workers \$5 more per hour than they receive here.